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NATIONAL TOOL COMPANY

CLEVELAND, OHIO

47th annual report

year 1951

DIRECTORS

HARRY W. BARKLEY - - - - - - - - Cleveland, Ohio
President, National Tool Company

GEORGE O. DESAUTELS - - - - - - - Indianapolis, Indiana
President, George O. Desautels Company

FRED V. GARDNER - - - - - - - - Milwaukee, Wisconsin
Senior Partner, Fred V. Gardner & Associates

LEWIS F. JUBENVILLE - - - - - - Orchard Lake, Michigan
Vice President, National Tool Company

SAMUEL J. KORNHAUSER - - - - - - - - Cleveland, Ohio
Counselor at Law

J. VICTOR LOEWI - - - - - - - - Milwaukee, Wisconsin
President, Loewi & Company

JOHN S. PEARSON - - - - - - - - - New York City
Dobbs & Company

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

HARRY W. BARKLEY - - - - - - - - Cleveland, Ohio
President and General Manager

LEWIS F. JUBENVILLE - - - - - Orchard Lake, Michigan
Vice President

ARTHUR T. WEST - - - - - - - - - Cleveland, Ohio
Secretary and Treasurer

LEWIS M. SHAFER - - - - - - - - - Cleveland, Ohio
Assistant Secretary and Assistant Treasurer

REGISTRAR OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

INDEPENDENT AUDITORS — HASKINS & SELLS

The Annual Meeting of Stockholders will be held on April 29, 1952. Notice of the Meeting and Proxy Form will be mailed to each holder of Common Stock on or about April 1, 1952.

TO THE STOCKHOLDERS AND EMPLOYEES OF NATIONAL TOOL COMPANY

National Tool Company enjoyed one of the best years in its history during 1951. Sales reached a record high; net earnings after taxes increased 47.3%, permitting payment of higher dividends; and the financial position of the Company was improved considerably. This was accomplished in spite of relatively fixed selling prices, higher material and labor costs, and Federal income taxes four times greater than last year's.

Net sales totaled $6,113,278 compared with $3,137,290 in 1950, and a previous high of $3,765,633. Monthly sales records were broken in every month even though most of the increase took place in the first six months.

Net income after taxes was $248,661, equivalent to $1.08 a share on the 229,591 shares outstanding, compared with $168,860 or seventy-five cents a share on the 223,966 shares outstanding at the end of 1950. Net income before provision for taxes amounted to $778,661, against $298,860 in 1950. Federal income taxes were $530,000 or $2.31 a share, compared with only $130,000, or fifty-eight cents a share, for the preceding year.

Dividends of fifty cents a share were paid during the year in four quarterly disbursements of ten cents each, plus a year end of ten cents. This compares with thirty cents paid in 1950. The Company now has 1132 stockholders located in 34 states.

Working capital was increased to $901,519 from $774,165, and the ratio of current assets to current liabilities was nearly two to one. Higher sales volume was responsible for a rise in inventories to $1,281,941, from $795,130 the preceding year. Borrowing privileges extended by two banks are considered ample for current needs. The mortgage loan was reduced to $200,000. Earnings Retained for Use in the Business amounted to $1,009,600 compared with $875,172 at the end of 1950. Under terms of a stock option, 5625 shares of treasury stock were sold to an officer of the Company.

Two certificates of necessity totaling $705,000 have been authorized by the government to cover additional expansion. Most of the cost of any capital additions made under these certificates can be amortized over a five year period.

Materials used in special cutting tools contain alloy elements now in short supply. Alternate steels have been developed that are highly satisfactory and involve less use of critical materials. Because the government recognizes the prime importance of these tools in our present economy, no steel procurement difficulties are anticipated.

Harmonious employee relations prevailed throughout the year. Wages continue to compare favorably with the average in the cutting tool industry and the community. Management gladly takes this opportunity to acknowledge the loyalty and cooperation of its employees who have done so much to make the 1951 record possible.

Even though cutting tools will play a very important part in the defense program, only a relatively small portion of last year's tool sales can be traced directly to the defense effort. The Company's growth, as evidenced by increased orders and greater backlog, is attributable to the improvement and expansion of its nation-wide sales force. Constructive changes in the sales organization originate from a constant study of industrial requirements for cutting tools, trends in product development, and changes in geographic locations of plants and industries.

The year's record of increased factory productivity, reduced manufacturing costs, and more satisfactory rate of profit before federal taxes, is traceable directly to the program of expansion and modernization started in 1946. Continuation of this program, in addition to research on product and methods improvement, is aimed at enhancing the Company's competitive position as a leading manufacturer of special cutting tools. The backlog of unfilled orders totaled $2,225,692 at the end of the year and new orders are being received at a satisfactory rate. Operations for the year 1952 started on a satisfactory level in comparison with the unusually high rate of shipments realized in the first quarter of 1951.

For the Board of Directors

HARRY W. BARKLEY

President

March 11, 1952

NATIONAL TO

BALANC

DECEMBER 31, 1

ASSETS

	. . . DECEMBER 31 . . . 1951	1950
CURRENT ASSETS:		
Cash	$ 261,382	$ 113,438
Accounts receivable:		
Trade (less reserve for doubtful accounts of $6,866)	463,306	402,255
Other	10,123	14,694
Inventories—at lower of cost or market:		
Finished and in-process products	870,357	501,343
Raw materials and supplies	411,584	293,787
Total current assets	$2,016,752	$1,325,517
MUTUAL INSURANCE DEPOSITS (NET) AND OTHER NON-CURRENT RECEIVABLES	$ 19,237	$ 21,879
PROPERTY, PLANT, AND EQUIPMENT:		
Land	$ 39,104	$ 39,104
Buildings	274,904	274,904
Machinery and equipment	896,176	826,618
Total	$1,210,184	$1,140,626
Less reserve for depreciation and amortization	663,321	590,296
Property, plant, and equipment—net	$ 546,863	$ 550,330
DEFERRED CHARGES:		
Deferred tool expense	$ 67,074	$ 59,247
Other	16,414	16,283
Total deferred charges	$ 83,488	$ 75,530
TOTAL	$2,666,340	$1,973,256

NOTES TO FINANCIAL STATEMENTS:

1. Ten thousand shares of unissued capital stock c an officer of the Company until April 1, 1955 shares and $5 a share for the additional five th
2. The terms of the 4⅜% mortgage payable provid which would reduce the Company's surplus a consent of the holder. At December 31, 1951 t Use In The Business) was $724,295.
3. The Company has subcontracts which are subje believed that renegotiation of sales prices unde if any, on the financial statements for the yea

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E SHEET

951 AND 1950

LIABILITIES

	. . . DECEMBER 31 . . . 1951	1950
CURRENT LIABILITIES:		
Notes payable to banks	$ 300,000	$ 100,000
Current portion of mortgage payable	25,000	25,000
Accounts payable:		
Trade	86,258	155,264
Other	54,583	42,206
Accruals:		
Federal taxes based on income	530,000	130,000
Other taxes	13,666	15,042
Salaries, wages, and commissions	101,665	79,656
Miscellaneous	4,061	4,184
Total current liabilities	$1,115,233	$ 551,352
MORTGAGE PAYABLE, 4⅜%, DUE IN ANNUAL INSTALMENTS OF $25,000 EACH BEGINNING JULY 1, 1953 (1952 instalment included in current liabilities)	$ 175,000	$ 200,000
CAPITAL INVESTMENT AND EARNINGS RETAINED FOR USE IN THE BUSINESS:		
Common capital stock, authorized, 600,000 shares of $1 par value each; issued and outstanding, 229,591 shares—see Note 1	$ 229,591	$ 229,591
Excess of paid-in capital over amount assigned to capital stock (no change during the year)	136,916	136,916
Earnings since January 1, 1940 retained for use in the business ($724,295 restricted—see Note 2)	1,009,600	875,172
Total	$1,376,107	$1,241,679
Less treasury stock, 5,625 shares at cost		19,775
Net capital investment, etc.	$1,376,107	$1,221,904
TOTAL	$2,666,340	$1,973,256

of the Company are subject to a purchase option by at a price of $4 a share for the first five thousand ousand shares.

e that dividends or other distribution to stockholders t December 31, 1948 shall not be paid without the he amount of such surplus (Earnings Retained For

ct to the Renegotiation Act of 1951; however, it is r these subcontracts will not have a material effect, r ended December 31, 1951.

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNINGS RETAINED FOR USE IN THE BUSINESS

For the Years Ended December 31, 1951 and 1950

	YEAR ENDED DEC. 31 1951	1950
SALES AND OTHER INCOME:		
Net sales	$6,113,278	$3,137,290
Other income	1,202	8,451
Total	$6,114,480	$3,145,741
LESS:		
Cost of goods sold (including depreciation and amortization of $73,025 for 1951, $60,081 for 1950)	$4,445,172	$2,338,312
Selling, general, and administrative expenses	870,586	496,144
Interest and debt expense	20,061	12,425
Total	$5,335,819	$2,846,881
INCOME BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	$ 778,661	$ 298,860
PROVISION FOR FEDERAL TAXES ON INCOME (including $136,000 excess profits tax for 1951)	530,000	130,000
NET INCOME	$ 248,661	$ 168,860
EARNINGS SINCE JANUARY 1, 1940 RETAINED FOR USE IN THE BUSINESS, JANUARY 1	875,172	773,738
Total	$1,123,833	$ 942,598
LESS DIVIDENDS PAID	114,233	67,426
EARNINGS SINCE JANUARY 1, 1940 RETAINED FOR USE IN THE BUSINESS, DECEMBER 31	$1,009,600	$ 875,172

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAMSON BUILDING
CLEVELAND, 14

ACCOUNTANTS' CERTIFICATE

National Tool Company:

We have examined the balance sheet of National Tool Company as of December 31, 1951 and the related statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

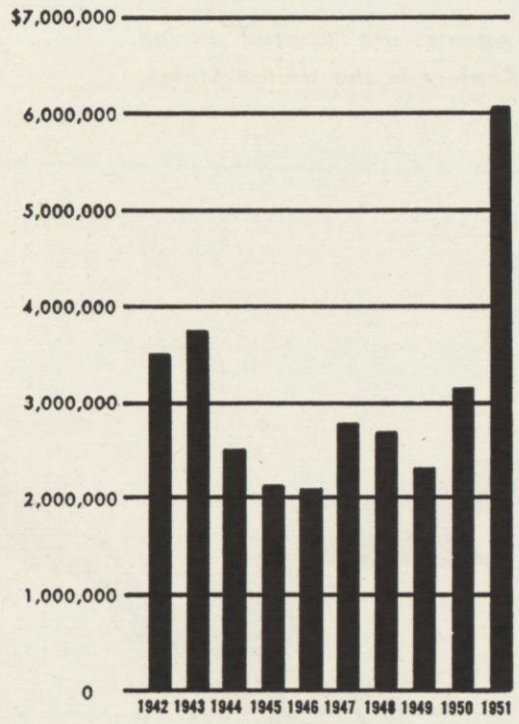
In our opinion, the accompanying balance sheet and statement of income and earnings retained for use in the business present fairly the financial position of the Company at December 31, 1951 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

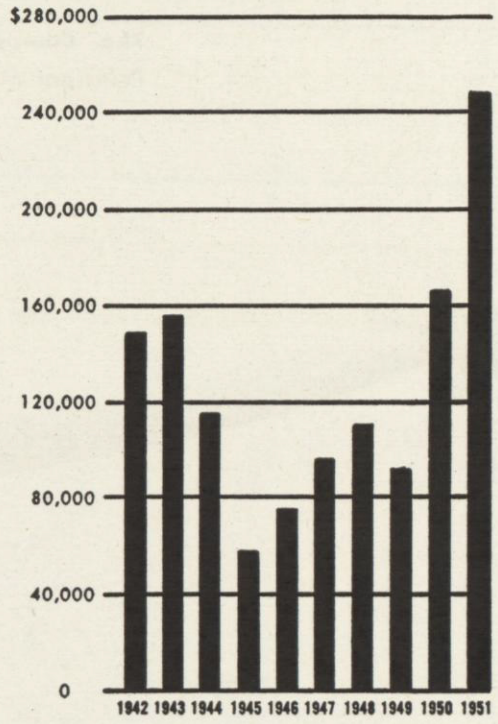
February 26, 1952.

NATIONAL TOOL COMPANY

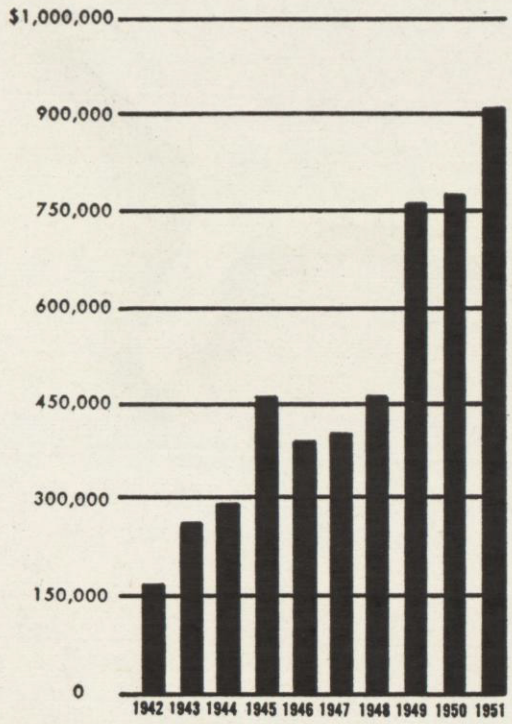
NET SALES



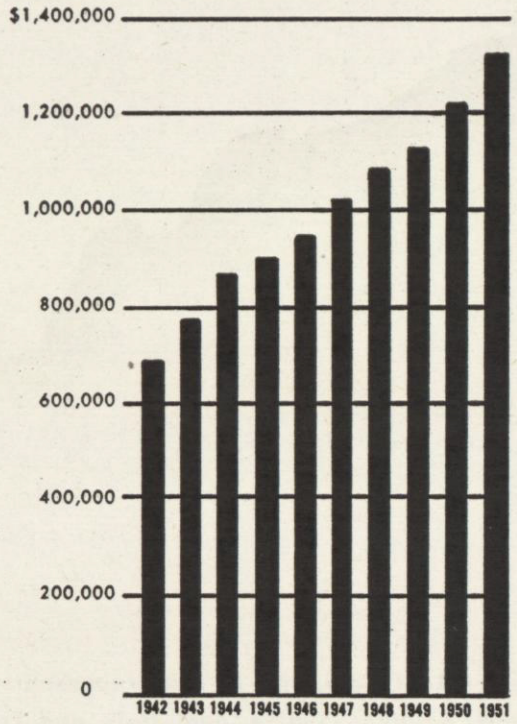
NET INCOME



WORKING CAPITAL

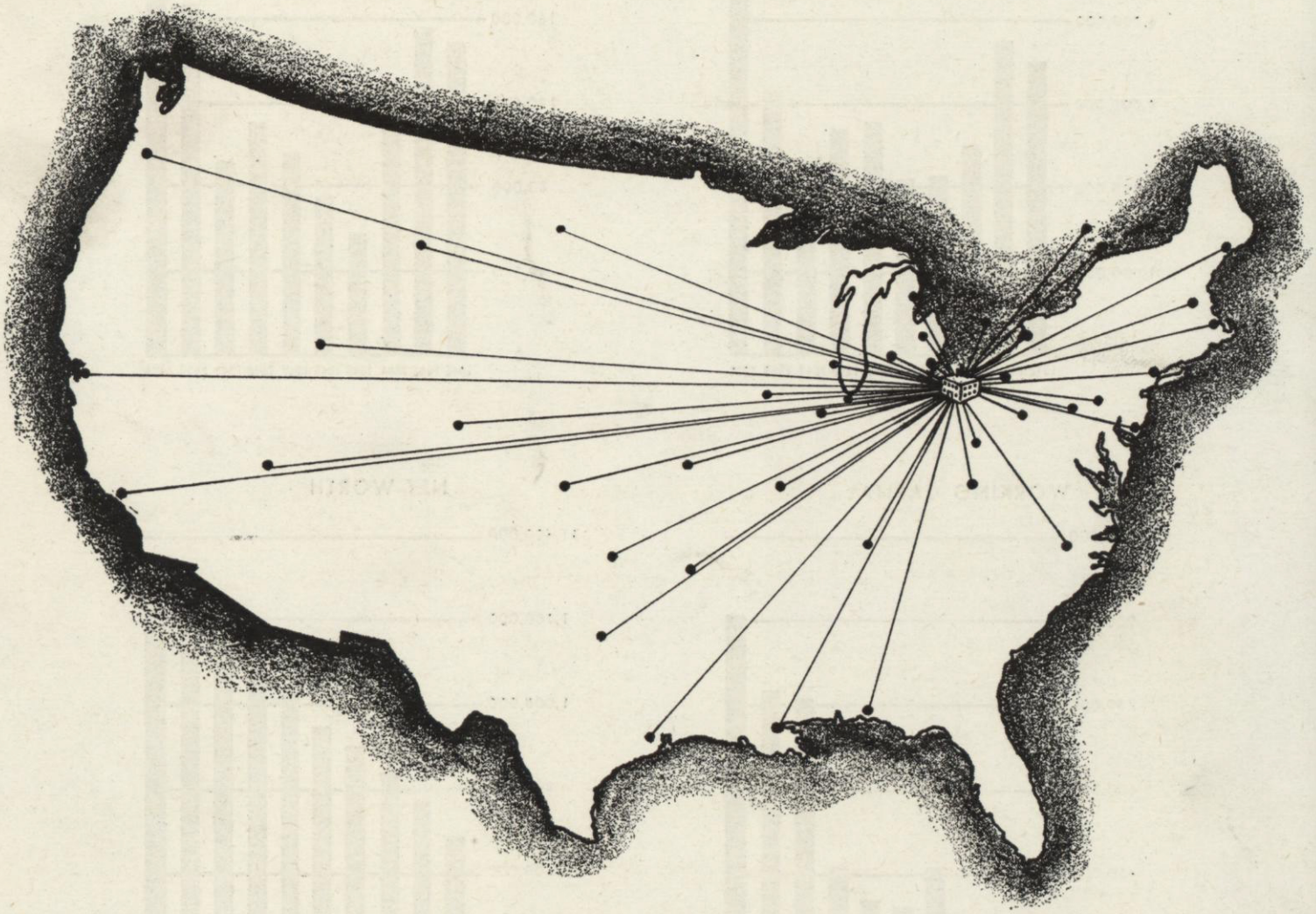


NET WORTH



NATIONAL TOOL COMPANY

The Company's Sales Agents are located in all Principal Manufacturing Centers in the United States.



National Tool Company is also represented in Canada, Belgium, Switzerland, Italy and France